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# STRICT ACCOUNTING NECESSARY IN NORTHEAST INDUSTRY

The following decision was promulgated by the Ministry of Industry of the Northeast Executive Committee:

1. The Ministry of Industry finds that serious, widespread, and amazing waste in state industries is causing very great loss to the nation's wealth.

Some production equipment is not being worked to capacity because of mechanical defects or poor coordination of supplies, and so production is hindered. For example, in spring 1949 building was held up for lack of lumber. Plans are often disrupted through troubles of this sort.

Output is low and production methods are poorly organized. Industries now in operation have low standards of production and skill, so that excessive waste escapes the notice of foremen. For example, in the copper smelters much copper goes out with the slag, and through poor coordination both time and material are lost. In 4 months nearly 3 billion yuan were wasted.

Quality is poor, rejects are many, and technical control is not strict. Quality is below standard in both light and heavy industries.

Raw materials are universally wasted. Spinning uses 3 percent more cotton than needed; pulp realizes only 80 percent return; losses in coal during the past 4 months amounts to more than 20,000 ruan per ton.

Labor is not well organized, and its efficiency is low. Coal statistics show a production of 0.28 ton per man-day for the first 4 months, less than in Manchukuo days. Plans called for 2 million miners at a cost of nearly 100 billion yuan in wages. If well organized, these 2 million miners would extract 600,000 tons of coal, worth 270 billion yuan. A study of the spinning industry reveals a manpower surplus of 2,000, and low output. Some machine shops carelessly paid their payrolls (of course a planned reserve pool is legitimate).

Capital is not fluid and turnover is slow. Marketing is poorly organized and goods accumulate in warehouses. Output is not coordinated with demand. Machinery lies idle in some places while desperately needed elsewhere. Money is spent unwisely for state-owned machinery, or for that which is not usable.

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In rehabilitation of some mines, surveys and planning have been inadequate, resulting in loss. Resources have not been carefully calculated and used, and sometimes private contractors have been brought in.

In January - July 1949 industrial accidents were serious and frequent, resulting in loss of property and hindrance of production. Equipment has deteriorated through carelessness.

Little responsibility is felt for equipment and supplies, which are allowed to spoil and rust. Electric power wastage runs as high as 30 percent.

Budgeting is misused to obtain more state funds, and accounting is used as a cover for increased prices. Both practices are poor business.

The passion for wage equality leads to lack of sufficient differences in pay between technical and unskilled labor. An unfair system of piecework often reduces good and poor workers to the same level, and this slows down production.

2. Aside from objective and unavoidable conditions, the chief cause of the ills mentioned above is an underestimation of the importance of strict accounting. Managers and foremen often fail to see that materials, processing, and marketing are all parts of the same enterprise, and fail to recognize their relation to improved standards of living.

A second factor is the failure to provide thorough, over-all coordination. Interrelation of standards and functions of the various activities would increase efficiency, facilitate accounting, reduce costs, and add to the national wealth.

Our waste is chiefly in processing. Here it is tremendous, because our cadres have not calculated and planned thoroughly. Many plant officials have the bureaucratic spirit and are unable to mobilize the entire personnel for patriotic service, and for earnest struggle against unwholesome conditions. The spirit of learning and self-correction is lacking.

3. As a foundation for sound accounting, the ministry makes the following suggestions to cadres, in addition to the directive issued in March 1949:

Make a thorough inventory and estimate of capacity, with a view to larger output. Distinguish between fixed and movable property, with a view to better control of the latter. Estimate needs of skills, materials, and marketing, and set up a system of statistics and accounting. Establish cost accounting for each product.

4. In the economic accounting at each factory and mine, the main emphasis is to be placed on reducing costs, raising quality, and starting a popular anti-waste movement. The following measures should be taken:

In planning, start with a reduction in cost of 5 to 10 percent, on some items more. This is entirely possible, and must be the object of our efforts this year. Each plant must make a thorough audit for the first half year, and on the basis of this audit, especially April to June, make a cost-reducing, capital-increasing plan. This applies also to enterprises in process of establishment.

Improve labor efficiency by setting an output quota. See that working conditions are favorable for reaching the quota and start a movement toward emulating the more progressive workers. Put in a sound wage policy, gradually introducing the piecework policy, using approved methods for promoting efficiency and reducing waste.

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Establish a monthly production target, and encourage workers to reach it.

Make sure of a supply of low-cost materials, and carefully budget their use. Mobilize the workers for an antiwaste, antiloafing campaign, and learn from Soviet experience.

5. Combating waste is a prime responsibility of this ministry. Every factory and mine should heed, study, and implement our ideas.

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